



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF THE RATEPAYER ADVOCATE
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October 25, 1995

VIA EXPRESS MAIL

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
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Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: In the Matter of the Amendment of the
Commission's Rules and Policies to Increase
Subscribership and Usage of the Public Switched
Network for Basic Telephone Service
CC Docket No. 95-115

TO THE HONORABLE COMMISSION:

Enclosed please find an original and nine copies of reply comments to the response of the Delaware Public Advocate, the Florida Office of Public Counsel, the Maine Public Advocate, and the Missouri Office of Public Counsel (hereinafter referred to as State Consumer Advocates or "SCA") filed with the Commission in the above-referenced matter.

Respectfully submitted,

BLOSSOM A. PERETZ, ESQ.
RATEPAYER ADVOCATE

By:

Lawanda R. Gilbert

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Assistant Deputy Public Advocate

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**COMMISSION'S RULES AND POLICIES
TO INCREASE SUBSCRIBERSHIP AND USAGE
OF THE PUBLIC SWITCHED NETWORK FOR
BASIC TELEPHONE SERVICE
DKT. NO. 95-115**

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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION**

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**In the Matter of Amendment of the :
Commission's Rules and Policies to Increase : CC Docket No. 95-115
Subscribership and Usage of the Public :
Switched Network for Basic Telephone Service : DOCKET FILE COPY ORIGINAL**

**REPLY COMMENTS OF
THE NEW JERSEY DIVISION OF RATEPAYER ADVOCATE**

October 25, 1995

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of the Amendment of
the Commission's Rules and Policies
to Increase Subscribership and Usage
of the Public Switched Network for
Basic Telephone Service
CC Docket No. 95-115

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**Reply Comments of the New Jersey Division of Ratepayer Advocate to
the Response of the State Consumer Advocates of Delaware, Florida, Maine and Missouri
(SCA) to FCC Notice of Proposed Rulemaking**

I. SUMMARY

The Ratepayer Advocate (RPA) supports the comments submitted by the State Consumer Advocates of Delaware, Florida, Maine and Missouri (SCA) in the above-referenced matter. We agree that the FCC has taken the correct step in examining what measures are needed in order to achieve universal service throughout the country, and determining the barriers that now prevent many citizens from gaining access to the public switched network. The timing of this notice becomes particularly relevant in light of the emerging dialogue on competition in the telecommunications industry, which calls for less regulatory oversight to remove barriers to competition. The plight of low income consumers, in particular, becomes an issue which must not be overlooked in the continuing dialogue being exchanged. The FCC's request for comments on measures to increase subscribership will hopefully address issues such as the need to ensure that all consumers, including low income ratepayers, will have access to the new technology

currently emerging.

The FCC correctly observes that subscribership levels vary significantly by segments of the population. Studies have shown that penetration rates for local telephone service vary largely based on geographic location, ethnic diversity and levels of income. A study conducted by Rutgers University (the "Rutgers study") which examined the varying penetration levels in the U.S. and in the city of Camden, New Jersey, showed that ratepayers with low incomes, or that were receiving some type of general assistance experienced low penetration rates which were almost 10-20 points below the State's penetration level¹. Those areas which have low subscribership levels must be studied to determine the factors which contribute to the lack of basic telephone service in those homes. Only by looking at the reasons why these homes lack telephone service can we begin to evaluate the most effective methods of addressing low penetration rates.

The RPA supports the SCA's recommendation that the goal for universal service penetration rates should be 99.6%. Although the current national penetration rate of 94% is commendable, it must not be forgotten that there are still 6% of American homes without telephone service, which roughly represents 5.6 million households, or 14.8 million people.² Most studies also show that the majority of the 6% of Americans without basic telephone service are those from economically disadvantaged households. It is a mathematical certainty that a state

¹Mueller, M & Schement, J, "Universal Service from the Bottom Up: A Profile of Telecommunications Access in Camden, New Jersey", Rutgers University Project on Information Policy, (1995).

²Ibid.

which has an overall subscribership level of 94% is comprised of areas in which the subscribership level is 100% and other areas where the subscribership level is below 90%. The focus on improving the 94% overall level should not be on increasing the subscribership in areas that already are at or near 100%, but must concentrate on reaching out to areas that are below 90%, which mandates new programs that are targeted at addressing the specific problems in this area. The FCC should concentrate their efforts on bringing these persons into the network, rather than maintaining their current penetration rates of 94%.

II. PROPOSALS TO INCREASE SUBSCRIBERSHIP

The RPA agrees with the SCA's support of the FCC's assumption that new initiatives are needed to achieve universal service goals. The use of low basic rates that make telephone service generally affordable may have been sufficient to create a large mass of subscribers as we have today. However, used alone, it has not been effective in increasing subscribership levels in economically disadvantaged communities, who, once they are connected, experience quickly increasing bills due to usage-related costs, such as long distance tolls, collect calls, credit card calls and optional features, and are subsequently disconnected from the network.³

New initiatives must address disconnection from the network for failure to pay long-distance usage charges in order to begin to increase subscribership levels. The results of the Rutgers study echo the sentiments of the SCAs that many ratepayers are unable to obtain telephone service due to their inability to pay previous delinquent bills, whose charges consist

³Ibid.

mainly of long distance usage costs. The added requirement of deposits along with the repayment of large delinquent bills present an economic barrier to returning to the public network that many low income consumers cannot overcome.

The RPA supports the SCA's recommendation that the FCC should prohibit common carriers from interrupting or disconnecting local exchange service for failure to pay interstate long-distance charges. However, areas such as New Jersey, which contain relatively small local calling zones, may require additional remedies. A ban on disconnection of local service for non-payment of interstate long distance charges may not be effective when, in New Jersey, more than one-third of the intrastate portion of residential customer bills is due to intraLATA toll billing. Thus, to properly address this issue, it is recommended that any prohibition against disconnection for failure to pay long-distance bills should extend to the intrastate as well as interstate portion of customers' bills, because of the significance of intrastate toll charges.

The RPA also supports the use of voluntary restrictions of toll calling services as a method to bring consumers back to the system who had been previously denied due to overdue accounts. However, the efficiency of these services in achieving the goal of universal service will be severely limited unless the pricing of the services is not restrictive. The FCC is urged to strive to implement the lowest possible charge for any such services that it determines should be offered. The approach used in Pennsylvania is most appropriate, where voluntary toll restriction is free to customers who select the service when telephone service is initiated, or for customers who are suspended for non-payment, and requests restored service after all outstanding charges are paid. The RPA also recommends that any FCC voluntary toll restriction on the interstate level should also be implemented on the State levels as well to offer restrictions on intrastate toll

calls to help control high intrastate toll bills, which are common in New Jersey.

IV. CONSUMER AWARENESS ISSUES

The FCC's NOPR raises the issue of whether programs such as Link Up and Lifeline could be improved with the goal of increasing subscribership. One problem which remains is the ineffective notification to subscribers regarding the availability of such programs. In New Jersey, the Link Up program receives only \$13,000 per year⁴, and only 2,549 customers from the state's major local exchange carrier, Bell Atlantic-New Jersey, have participated.⁵ In addition, it was noted in the Rutgers study that one of the items which limited the effectiveness of the LinkUp program was the lack of public awareness, which was evidenced by the fact that none of the respondents which were questioned in the study were aware of the LinkUp program.⁶

To address this issue, the RPA supports the SCA's recommendation that the FCC should encourage the states to implement requirements for companies that publish telephone directories to include information regarding programs such as Lifeline and LinkUp, or any other existing programs to provide prospective customers who are economically disadvantaged with knowledge of all options that are currently available to them.

With the advent of competition in the telecommunications arena and accompanying efforts at deregulation, the RPA concurs with the SCA that the FCC must take a strong

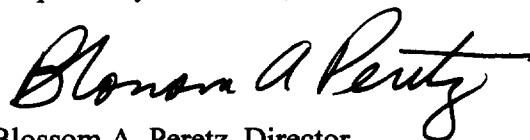
⁴Response of BA-NJ to RAR-ATT-1-16, (BPU Docket NO. TX94090388).

⁵Cross examination of BA-NJ Witness Bone, transcript Page 1272 (BPU Docket No. TX 94090388, May 15, 1995).

⁶Mueller & Schement, *supra* note 1, at 14.

leadership role by adopting comprehensive programs to achieve universal service goals, and to bring the remaining 6% of American consumers back onto the network. Although competition in the industry has been heralded as benefitting consumers overall through the offering of new choices, it remains to be seen whether those benefits will trickle down to low-income consumers, or will be hoarded among the most profitable customers. In the face of this dilemma, the FCC and the states should implement increased monitoring of customer charges, particularly for low income areas and in areas not subject to effective competition. They must repeatedly assess the effectiveness of all benefits programs, such as Lifeline and LinkUp, in assuring that all customers receive the benefits of competition, and are provided affordable telephone service, regardless of their income level. Only in this manner will more consumers be able to receive the benefit of telephone service in their home.

Respectfully submitted,

A handwritten signature in black ink, reading "Blossom A. Peretz". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Blossom A. Peretz, Director
New Jersey Division of the Ratepayer Advocate